

Message Text

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EXDIS

EYES ONLY FOR ASSISTANT SECRETARY ROGERS FROM AMBASSADOR SANCHEZ

E.O. 11652: GDS

TAGS: PINT, HO, PFOR

SUBJECT: UNITED BRANDS, GOVERNMENT OF HONDURAS SUBORNATION CHARGES

1. SUMMARY. MINISTER OF ECONOMY BENNATON PASSED TO EMBASSY OFFICER POSITION OF CHIEF OF STATE OSWALDO LOPEZ CONCERNING SUBORNATION CHARGES, ASKING THAT THE POSITION BE MADE KNOWN IMMEDIATELY TO THE AMBASSADOR AND THE DEPARTMENT OF STATE. POSITION REFLECTS PROBABLE REACTION OF GOH AND IMPLICATIONS OF CHARGES FOR RELATIONSHIPS BETWEEN US BANANA COMPANIES, BILATERAL GOH-USG RELATIONS, AND DANGERS TO PRESENT UNSETTLED INTERNAL POLITICAL CONDITIONS. CHIEF OF STATE INDICATED HIS AVAILABILITY TO RECEIVE AMBASSADOR SANCHEZ. BENNATON'S PRESENTATION IS FOLLOWED BY BACKGROUND AND THEN COMMENT.

2. THE CHIEF OF STATE MAKES THREE "FORMAL" (BENNATON'S TERM) POINTS.

A). IS THE PUBLIC RELEASE OF CHARGES OF SUBORNATION PART OF A COMPANY PROGRAM TO HAVE THE BANANA EXPORT SURCHARGE REMOVED? THE GOH HAS BEEN SUBJECT TO CONTINUAL PRESSURES FOR MODIFICATIONS OF THE ORIGINAL AGREEMENT, AS IN THE CASE OF COSTA RICAN REDUCTION OF THE TAX FROM A DOLLAR TO TWENTY FIVE CENTS, AND UNITED BRANDS' ACTIONS IN CEASING EXPORTS FROM PANAMA FOR A PERIOD OF TIME.

3. B) IF THERE EXIST PROOFS OF THE ALLEGED PAYMENTS, THESE SHOULD BE PRESENTED TO THE GOH FOR RESPONSE.

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4. C) MR. ELI BLACK, DURING HIS VISITS TO CENTRAL AMERICA AND HONDURAS LAST YEAR WAS ILL AND UNDER STRONG SEDATION. HE SUBSEQUENTLY COMMITTED SUICIDE.

5. BENNETON THEN MADE SIX POINTS WHICH HE STATED WERE "POLITICAL AND ECONOMIC". FIRST, ANY PUBLIC DISCLOSURE WOULD DAMAGE RELATIONSHIPS BETWEEN THE GOH AND THE TWO BANANA COMPANIES, EVEN THOUGH SUCH DAMAGE MIGHT BE AGAINST THE WILL OF THE GOH. THE GOH IS NOW IN NEGOTIATIONS WITH BOTH COMPANIES, AND IS SEEKING NATIONAL SOLUTIONS AND DURABLE AGREEMENTS WITH THEM. BUT IT IS OBVIOUS THAT THE GOH HAS TO DEFEND ITSELF.

6. SECOND, PUBLIC DISCLOSURES WOULD HAVE A UNFAVORABLE EFFECT ON

GOH AND USG RELATIONS. THE FAVORABLE ATTITUDE RESULTING FROM US ASSISTANCE DURING THE AFTERMATH OF HURRICANE FIFI, AND THE GREAT AMOUNT OF MATERIAL AND FINANCIAL ASSISTANCE COULD BE BROKEN. ANY RELEASE OF INFORMATION IS PREJUDICIAL TO OUR BILATERAL RELATIONSHIPS.

7. THIRD, IF AMBASSADOR SANCHEZ WISHES TO SEE THE CHIEF OF STATE, HE IS AVAILABLE.

8. FOURTH, PUBLIC DISCLOSURE WOULD HAVE A SERIOUS EFFECT UPON INTERNAL AFFAIRS. BENNETON MADE TWO POINTS UNDER THIS HEADING: THAT GENERAL LOPEZ WANTS TO HAVE THE BEST OF RELATIONS WITH THE USG, AND THE AGRARIAN REFORM WAS NOT GEARED TO AFFECT ANY US INTERESTS IN HONDURAS. ALTHOUGH THE REFORM IS NATIONALISTIC, IT IS A PART OF THE NATIONAL DEVELOPMENT POLICY.

9. FIFTH, THE CHIEF OF STATE WANTS TO KNOW WHAT IS GOING ON? ARE THE CHARGES RELATED TO THE BANANA SURCHARGE OR TO THE EXPIRATION OF CONCESSIONS? THE UNITED BRANDS CONCESSION WAS EXTENDED FOR A PERIOD OF SIX MONTHS ON MARCH 26 (IT HAD BEEN EXTENDED ON SEPTEMBER 23, 1974 FOR SIX MONTHS). IT IS APPARENT THAT THE GOH NEEDS TO HAVE MORE INFORMATION CONCERNING THE CHARGES IN ORDER TO DEFEND ITSELF.

10. SIXTH, SUCH AN ISSUE MUST HAVE CAREFUL HANDLING WITHIN HONDURAS. THE INTERNAL SITUATION IS MOST DELICATE. BENNETON IMPLIED THAT THERE ARE MANY ANTI-US ELEMENTS WITHIN HONDURAS WHICH WOULD TAKE ADVANTAGE OF WHATEVER OPPORTUNITY TO OBTAIN THEIR GOALS. (THIS ENDS
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BENNETON'S PRESENTATION.)

11. BACKGROUND. BENNETON CALLED ECONOMIC OFFICER APRIL 8, AM TO REQUEST APPOINTMENT WITH AMBASSADOR SANCHEZ. HE STATED THE REASON FOR THE INTERVIEW WAS THE COFFEE CONFERENCE IN LONDON (SEPTEL). APPOINTMENT WAS MADE FOR LATE AFTERNOON DUE TO BENNETON'S UNAVAILABILITY UNTIL AFTER COMPLETION OF COUNCIL OF MINISTERS MEETING. I DECIDED NOT TO SEE BENNETON, AND SINCE THE

APPARENT ISSUE WAS THE COFFEE PROBLEM, DIRECTED THE ECONOMIC OFFICER TO KEEP THE APPOINTMENT. BENNETON RAISED NO OBJECTIONS TO RECEIVING THE ECONOMIC OFFICER IN MY STEAD. BENNETON'S PRESENTATION WAS DIRECT AND UNHURRIED, LASTING OVER AN HOUR. HE STATED THAT HE HAD SPOKEN TO PRESIDENT TORRIJOS OF PANAMA (WHO IS CONCERNED OVER THE FINANCIAL WEAKNESS OF UNITED BRANDS AND DOESN'T WANT TO FORCE THEM OUT OF PANAMA) AND WITH GUILLERMO NORIEGA MORALES IN GUATEMALA. HE DID NOT INDICATE ANY CONVERSATIONS WITH UNITED BRANDS, AND IN FACT DID NOT INDICATE WHICH ONE OF THE TWO COMPANIES MIGHT BE RAISING THE ISSUE. HE STATED HE HAD DISCUSSED FULLY THE ISSUE WITH THE CHIEF OF STATE, AND WAS PRESENTING THE VIEWS OF GENERAL LOPEZ TO BE TRANSMITTED TO AMBASSADOR SANCHEZ AND THE DEPARTMENT OF STATE. BENNETON STATED HIS INTENTION TO FLY TO THE COFFEE CONFERENCE IN LONDON, LEAVING HONDURAS EARLY MORNING APRIL 9 AND TRAVELLING VIA THE US. END BACKGROUND.

12. COMMENT: BENNETON'S PRESENTATION WAS A COMBINATION OF REASON, CAJOLING, AND THREAT. HIS INNUENDOS OF LOOMING PROBLEMS IN US-GOH RELATIONS AND OF INTERNAL DIFFICULTIES FOR GOH AS A RESULT OF ANY PUBLIC DISCLOSURES WERE NOT UNEXPECTED AND INDEED CONFIRMED EMBASSY'S ORIGINAL ASSESSMENTS. IT IS NOTEWORTHY THAT BENNETON NEVER ADDRESSED THE QUESTION OF THE ACCURACY OF THE CHARGES THEMSELVES, CERTAINLY NEVER DENIED THEM. INSTEAD HIS PRESENTATION, WHICH WE BELIEVE TO HAVE BEEN CAREFULLY COORDINATED WITH LOPEZ, WAS DESIGNED TO PRESUADE THE USG TO INTERVENE TO SQUELCH THE CHARGES. WE VIEW THIS AS A CLEAR THREAT OF RETALIATION AGAINST US INTERESTS IN THE EVEN OF PUBLIC DISCLOSURE OF THE CHARGES. PERHAPS INDICATIVE OF LINE LOPEZ WILL TAKE PUBLICLY IS INTIMATION THAT UB HAS COOKED UP CHARGES AS PART OF MACHIAVELLIAN PLOT TO OVERTHROW LOPEZ IN EFFORT TO SECURE COMPANY'S POSITION IN HONDURAS. IN CIRCUMSTANCES, IT CAN BE EXPECTED THAT LOPEZ WILL USE ANY MEANS TO DISCREDIT CHARGES

AT THIS POINT I SEE NO ADVANTAGE IN SEEKING AN INTERVIEW WITH
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LOPEZ AND WILL NOT PURSUE BENNETON'S OPEN INVITATION, SINCE PREMISES OF HIS PRESENTATION HAVE ALREADY BEEN OVERTAKEN BY EVENTS.
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